

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: February 3, 2004

SUBJECT: Fiscal Impact Statement: "Owner-Occupant Residential Tax Credit and Homestead Deduction Clarification Emergency Act of 2004"

REFERENCE: Draft Legislation as Introduced - No Bill Number Available

Conclusion

Funds are sufficient in the FY 2004 through FY 2007 to implement the proposed legislation because additional revenues have been certified. The proposed legislation is intended to relieve real property tax burdens estimated to be \$27.6 million in FY 2004 and \$106.1 million in FY 2004 through FY 2007.

Background

The proposed legislation makes owner-occupied property eligible for a new tax credit. The proposed credit will be equal to the difference between the current real property tax liability and 112 percent of the previous year's real property tax liability. Eligibility is triggered by the conditions for the existing Homestead Deduction program. In addition, the proposed legislation will increase the maximum allowable District Homestead Deduction from \$30,000 to \$38,000. The proposed legislation clarifies Council's intent of preventing property tax bills from increasing more than 12 percent per year.

Financial Impact

Funds are sufficient in the FY 2004 through FY 2007 to implement the proposed legislation because additional revenues have been certified. No additional staff or resources will be required. The table in Figure 1 presents the projected reductions in tax burdens when the tax cap is reduced from the 25 percent limitation in current law to the 12 percent limitation on increases to real property tax and factors in the change to the maximum allowable limit of the Homestead Deduction from \$30,000 to \$38,000.

Figure 1.

Impact on Local General Fund Revenue (\$ in millions)				
FY 2004	FY 2005	FY 2006	FY 2007	4 -Year Total
\$27.6	\$31.0	\$26.2	\$21.3	\$106.1